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Trends in Corruption, Ethical, Environmental and Social Accounting

It has now been over a decade since the financial crisis 2007-08 that was brought on in particular by unscrupulous banking practices – including those linked to fraud and corruption - underpinned with an unprincipled use of accounting technologies, which led to the worst global recession since the great depression of the 1930's. What had started as a sub-prime mortgage crisis in the USA quickly became an international banking crisis and eventually led to the collapse of financial systems in several countries and ongoing austerity policies in many Western countries (Bracci et al., 2015).

The ramifications for corporates (Lehman Brothers, AIG, Northern Rock and General Motors), and indeed countries (Portugal, Italy, Ireland, Greece, Spain - PIGS), that faced bankruptcy, humiliation and if lucky bail-out led to an increased awareness of the social and partisan character of accounting in the face of fraud, corruption or just shoddy business practices. This is epitomised to some degree by the Integrated Reporting Council (IRC) calls to have a more sustainable basis to accounting (Adams, 2015). Of course such calls for accounting to move beyond the economic towards ethical, social and environmental concerns are not new and have a rich legacy, especially since the 1980's and 1990's (Hopwood, 1983; Burritt and Lehman, 1995; Fiedler and Lehman, 2002; Gray and Laughlin, 2012).

These issues emphasise the problems when accounting is used to mask what is reported and consequently what is the bottom line, especially in cases of corruption. Some of the problems concern the concept of auditor independence, the circularity of the audit process and the expectations gap between the interests of the public and the accounting profession. Accountants have been criticised for assuming that if the 'figures' are constructed in line with current mandatory and legislative requirements, then the accounts are true and fair. Yet what is reported often apparently bears little relation to a reasonable view of the true financial health of the company. These concerns are universal and not unique to Western countries such as Australia, UK and USA. Indeed, researchers from across the globe from countries as diverse as Brazil, China, India, and Nigeria to name but a few are investigating the social and environmental dimensions of corporate behaviour, and the implications of corruption.

In the past, ethics, environment and social responsibility have been deemed too difficult to be of concern to accountants, whose primary responsibility has been couched in narrow technical terms - For instance how to report corporate profit with even issues of fraud and corruption relegated at best to secondary considerations. Ethics has been treated in conceptual framework projects in a technical as opposed to a social, philosophical, manner. For today's student a narrow and technical education is no longer a "meal ticket" for a long, lucrative and prosperous career. Research indicates that today's students will be expected to not only exhibit the skills of a "practising accountant", but also follow good ethical principles involving an appreciation of the social nature of accounting. Yet, accounting and ethics research

indicates that the capacity among the accounting profession for ethical reasoning is not significantly different from that in other professional groups. The capacity for ethical conduct is influenced by the professional accountant's area of employment, expertise, exposure to similar situations, and educational level. The capacity for ethical reasoning includes not only the need to preserve independence and indicates a need for broader accounting education to the changing nature of the global economy, which includes the social and environmental dimensions of business, the common good (Lehman, 2002) and directly confronting corrupt and inhumane practices (McPhail, 2001).

Nevertheless, tentatively since the 1980s, academic accountants have responded to these failings by researching accounting for social and environmental as well as economic obligations that would enable corporations and governments to act in the public interest and to address corrupt practices. The role of accounting has been expanded, for instance, to calculate and report the social and environmental costs of organisational activities and impacts of corruption on society. These developments challenge the traditional bookkeeping role of accounting. Traditional accounting answers ethical and social issues including those related to corruption using the precepts of a utilitarian logic, according to which the primary purpose of ethics concerns profit or maximisation of shareholder wealth, and ethics is relegated to each individual's private realm. Organisations in the 1980s were encouraged to operate on the assumption that the only goal of the firm was to maximise shareholder wealth, justified on occasions by appeal that some of it might be released to put right the social and environmental harms attendant on the accumulation of wealth. Since then a fundamental shift has occurred to embrace stakeholder theories or at least a tinged shareholder theory whereby moral and social obligations are taken into account and addressed as part of a common good (Moore, 1999). This is on a broad spectrum from looking at integrated reporting and the triple bottom line in private sector companies (Adams, 2015) to budget resource allocations embracing the grassroots and social value accounts in the public services (Ahrens and Ferry, 2015, 2016) to issues of human rights (McPhail and Adams, 2016) and corruption (Everett, Neu and Rahaman, 2007).

It is not merely accounting researchers however that harbour these concerns, accounting research indicates that academia and the profession share similar concerns, in terms of raising awareness and enhancing understanding of ethical issues among accounting practitioners and students (Adams, 2015). Both sectors see the value of accounting ethics education, thus pointing to one of the senses in which academia and the profession constitute a partnership. Academics have not only raised issues and contributed empirically to informed insight, but also suggest progress in terms of perceptions of ethical issues in accountancy. These trends challenge the profession to break-loose from the traditional accredited educational support systems, as research indicates that traditional narrow book-keeping no longer equips students adequately for today's work-force. Indeed, to address the inherent flaws in traditional approaches, recently in Accounting Forum researchers have proposed a framework for social and environmental accounting research (Lehman and Kuruppu, 2017) and highlighted the link to accountability, ethics and corruption (Lehman and Morton, 2017). However, this is tempered with reminders that we must be careful in thinking that social and environmental accounting is always an expression of beauty and truth (Lehman, 2017), and so is necessarily free from corrupt practices.

Yet, however welcome, these developments in accounting have been slow in coming, lacked sustained traction and often been reactionary for legitimization of the accounting professions privileged role as opposed to leading fundamental changes in practice. Having said that, issues of corruption, ethics, social and environmental accounting are now part of everyday debates in accounting which is progress and highlights a potential of accounting to go well beyond its current, often self-imposed, technical boundaries.

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